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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Quarterly Report Under Section 13 or 15(d)
of the Securities Exchange Act of 1934

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For Quarter Ended March 31, 1992
Commission File Number 0-18466

ENVIRONMENTAL SERVICES OF AMERICA, INC.
(Exact name of registrant as specified in its charter)

PROCESSED BY
MAY 18 1992
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Delaware	87-0377081
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

119 Paris Street, Newark, New Jersey 07105-3831
(Address of principal executive offices) (Zip Code)

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Registrant's telephone number, including area code (201) 589-3850

BEST COPY
AVAILABLE

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes X No

2,988,486
(Number of shares of common stock of the registrant outstanding as of May 13, 1992)

PART I - FINANCIAL INFORMATION

Item 1 - Financial Statements.

Environmental Services of America, Inc. and Subsidiaries Consolidated Financial Statements For the Three Months Ended March 31, 1992 (unaudited).

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ENVIRONMENTAL SERVICES OF AMERICA, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

ASSETS

	March 31, 1992 (Unaudited)	December 31, 1991
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,853,540	$ 1,741,036
Accounts receivable (net of allowance for doubtful accounts of $267,271 and $102,016 at March 31, 1992 and December 31, 1991, respectively)	5,103,169	4,339,694
Prepaid expenses and other current assets	501,469	527,597
Total current assets	7,458,178	6,608,327
PROPERTY AND EQUIPMENT, net of accumulated depreciation and amortization	3,748,340	2,223,910
OTHER ASSETS:		
Excess of cost over fair value of net assets of businesses acquired	1,226,487	1,234,972
Other	158,928	164,772
	1,385,415	1,399,744
Total assets	$12,191,933	$10,231,981

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 3,364,730	$ 2,647,009
Current portion of long-term debt	737,177	246,372
Income taxes accrued	--	73,696
Total current liabilities	4,101,907	2,967,077
LONG-TERM DEBT:		
Notes payable, net of current maturities	766,502	371,198
Total long-term debt	766,502	371,198
Total liabilities	4,868,409	3,338,275
STOCKHOLDERS' EQUITY:		
Preferred stock, $.01 par value - authorized 2,000,000 shares:		
"Series A" - 5% cumulative, convertible; 4,000 shares issued and outstanding	40	40
"Series B" - 6% cumulative, convertible; 12,000 shares issued and outstanding	120	120
Common stock, $.02 par value - authorized 10,000,000 shares; 2,988,488 and 2,927,063 shares issued and outstanding	59,770	58,542
Paid-in capital in excess of par	5,152,033	4,903,261
Retained earnings	2,111,561	1,931,743
Total stockholders' equity	7,323,524	6,893,706
Total liabilities and stockholders' equity	$12,191,933	$10,231,981

See accompanying notes

ENVIRONMENTAL SERVICES OF AMERICA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

	For the Three Months ended March 31, 1992	For the Three Months ended March 31, 1991 (Restated)
Net sales	$ 4,982,815	$ 5,459,712
Cost of sales	2,845,804	3,537,481
Gross profit on sales	2,137,011	1,922,231
Selling, general and administrative expenses	1,665,416	1,306,677
Depreciation and amortization	152,845	92,217
	1,818,261	1,398,894
Income from operations	318,750	523,337
Other income (expenses):		
Net non-operating income (expenses)	10,219	22,745
Interest expense	(26,754)	(20,683)
	(16,535)	2,062
Income before provision for income taxes	302,215	525,399
Provision for income taxes	122,397	173,546
Nec income	$ 179,818	$ 351,853
Earnings per common share	$ .04	$ .09
Weighted average number of common shares and equivalent shares outstanding	4,069,985	3,858,248

See accompanying notes

ENVIRONMENTAL SERVICES OF AMERICA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	For the three months ended March 31, 1992	For the three months ended March 31, 1991 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 179,818	$ 351,853
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	152,845	92,217
Decrease in accounts receivable	916,828	77,199
(Increase) decrease in prepaid expenses and other current assets	136,451	(28,632)
(Decrease) in accounts payable and accrued expenses	5,844	(2,749)
Increase (decrease) in income taxes payable	(294,104)	(340,192)
Total Adjustments	(73,696)	268,604
Net Cash Provided by Operating Activities	844,168	66,447
	1,023,986	418,300
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property and equipment, net	$(220,623)	$(61,049)
Acquisition of Subsidiaries	(307,632)	(281,000)
Net Cash (Used In) Investing Activities	$(528,255)	$(342,049)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of long-term debt	13,015	125,118
Payments of long-term debt	(396,242)	(68,458)
Net Cash Provided by (Used in) Financing Activities	$(383,227)	$ 56,660
NET INCREASE IN CASH AND CASH EQUIVALENTS	$ 112,504	$ 132,911
CASH AND CASH EQUIVALENTS - Beginning	1,741,036	1,668,164
CASH AND CASH EQUIVALENTS - Ending	$ 1,853,540	$ 1,801,075
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Income taxes	$ 64,270	$ 470,624
Interest	$ 26,754	$ 20,683

See accompanying notes

ENVIRONMENTAL SERVICES OF AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Note 1 - Basis of Presentation:

In the opinion of the Company, all adjustments (which consist only of normal recurring accruals) necessary for the fair presentation of the balance sheet as of March 31, 1992 and the related statements of operations for the three month periods ended March 31, 1992 and 1991 have been included in the accompanying condensed consolidated financial statements. The results of operations for the three month periods ended March 31, 1992 and 1991 are not necessarily indicative of the results to be expected for the entire year.

The condensed consolidated financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 1991, which is incorporated herein by reference.

Earnings per share of common stock is calculated based on the weighted average number of shares and equivalent shares outstanding during the period.

Note 2 - Acquisitions:

In March, 1992, the Company acquired all of the outstanding capital stock of TRI-S, Incorporated (previously an S-Corporation), an environmental company engaged in the business of cleanup and transportation of hazardous and non-hazardous waste materials. The purchase price of $1,194,211 included the following: (a) $350,000 in cash, (b) $454,826 of promissory notes (discounted at 8% from a face amount of $510,000), (c) issuance of 61,425 shares of the Company's common stock (valued at $250,000), and (d) acquisition costs of $139,385. Under certain circumstances the sellers may be entitled to receive additional consideration to a maximum of $1,140,000. The transaction was treated as a purchase for financial statement purposes. Accordingly, the financial statements include the operations of TRI-S beginning March 1, 1992.

Note 2 - Acquisitions: (continued)

On June 11, 1991, the Company completed an acquisition of 100% of the common stock of The Almega Corporation (previously an S-Corporation) in exchange for 448,500 shares of the Company's common stock. The Almega Corporation is an environmental engineering and consulting company specializing in air quality testing, sampling, measurement and monitoring, with offices in California, Illinois and Pennsylvania. The transaction was treated as a pooling-of-interests for financial statement purposes and, as such, the comparative financial statements have been restated to include the operations of Almega from January 1, 1991.

Note 3 -Letter of Intent - Business Combination:

On February 18, 1992, the Company executed a letter of intent with Advance Ross Corporation ("AROS") which provided for a business combination of the two companies based on an exchange of shares of AROS for shares of the Company. AROS is publicly traded on the National Association of Securities Dealers, Inc. Automated Quotation System ("NASDAQ") and is included in the NASDAQ National Market System. AROS is engaged in the manufacturing and installation of electrostatic precipitators for air pollution control and has over $20 million in cash and cash equivalents with no debt. If the transaction is consummated in the manner contemplated, one share of AROS stock would be issued for each 3.0 shares of the Company's stock. Consummation of the transaction is subject to a number of conditions, including completion of due diligence, execution of definitive agreements and shareholder approval.

Note 4 - Bank Line of Credit:

In April, 1992, the Company entered into a line of credit agreement with United Jersey Bank in the amount of $2,800,000. Interest is payable monthly at the bank's short-term base lending rate. The credit line is secured by a security interest in the accounts receivable of the Company and its subsidiaries as well as the joint and several guarantees from the Company's subsidiaries. In connection with the line of credit, the Company is required to maintain free compensating balances in the amount of $300,000 as well as compliance with certain other covenants.

Note 5 - Income Taxes:

The provision for income taxes is based on elements of income and expense as reported in the statement of operations. Regarding the Company's acquisition of The Almega Corporation (see note 2), only the portion of Almega's operations after May 31, 1991 (date of termination of S-Corporation status) is included for Federal tax purposes.

ENVIRONMENTAL SERVICES OF AMERICA, INC. AND SUBSIDIARIES

PRO FORMA CONDENSED STATEMENTS OF OPERATIONS

FOR THE THREE MONTHS ENDED MARCH 31, 1992 AND 1991

The following unaudited pro forma condensed statements of operations for the three months ended March 31, 1992 and 1991 gives effect to the acquisition of TRI-S, Incorporated (previously an S-Corporation) using the purchase method of accounting, by combining the amounts shown in the historical statements of operations of Environmental Services of America, Inc. with those of TRI-S, Incorporated with the assumption that the acquisition occurred on January 1, 1991. These pro forma statements should be read in conjunction with the historical financial statements and related notes thereto of Environmental Services of America, Inc. and TRI-S, Incorporated.

These pro forma condensed statements of operations are not necessarily indicative of operating results which would have been achieved had the acquisition occurred on January 1, 1991 and should not be construed as representative of future operations.

ENVIRONMENTAL SERVICES OF AMERICA, INC. AND SUBSIDIARIES

PRO FORMA CONDENSED STATEMENT OF OPERATIONS

FOR THE THREE MONTHS ENDED MARCH 31, 1992

(UNAUDITED)

	Environmental Services of America, Inc. and Subsidiaries	TRI-S Incorporated	Pro forma Adjustments Increase (Decrease)	Pro Forma Combined
Net sales	$ 4,521,919	$ 1,493,521	$(954)(a)	$ 6,014,486
Cost of sales	2,663,891	836,732	(954)(a)	3,519,669
Gross profit on sales	1,858,028	636,789	--	2,494,817
Selling, general and administrative expenses	1,449,896	573,535		2,023,431
Depreciation and amortization	135,292	49,910		185,202
	1,585,188	623,445	--	2,208,633
Income from operations	272,840	13,344	--	286,184
Other income (expenses)	(12,325)	750		(11,575)
Income before provision for income taxes	260,515	14,094	--	274,609
Provision for income taxes	105,509	7,500	4,796 (b)	117,805
Net income	$ 155,006	$ 6,594	$(4,796)	$ 156,804
Earnings per common share	$ .04			$ .04
Weighted average number of common shares and equivalent shares outstanding	4,061,885			4,123,310

See notes to pro forma condensed statements of operations

ENVIRONMENTAL SERVICES OF AMERICA, INC. AND SUBSIDIARIES

PRO FORMA CONDENSED STATEMENT OF OPERATIONS

FOR THE THREE MONTHS ENDED MARCH 31, 1991

(UNAUDITED)

	Environmental Services of America, Inc. and Subsidiaries	TRI-S Incorporated	Pro forma Adjustments Increase (Decrease)	Pro Forma Combined
Net sales	$ 5,459,712	$ 1,313,947	$ --	$ 6,773,659
Cost of sales	3,537,481	780,904	--	4,318,385
Gross profit on sales	1,922,231	533,043	--	2,455,274
Selling, general and administrative expenses	1,306,677	344,324		1,651,001
Depreciation and amortization	92,217	69,330	--	161,547
	1,398,894	413,654	--	1,812,548
Income from operations	523,337	119,389	--	642,726
Other income (expenses)	2,062	2,460		4,522
Income before provision for income taxes	525,399	121,849	--	647,248
Provision for income taxes	173,546	--	88,589 (c)	262,135
Net income	$ 351,853	$ 121,849	$(88,589)	$ 385,113
Earnings per common share	$ .09			$ .10
Weighted average number of common shares and equivalent shares outstanding	3,858,248			3,919,673

See notes to pro forma condensed statements of operations

ENVIRONMENTAL SERVICES OF AMERICA, INC. AND SUBSIDIARIES

NOTES TO PRO FORMA CONDENSED STATEMENTS OF OPERATIONS

(UNAUDITED)

1. Acquisition:

In March, 1992, the Company acquired all of the outstanding capital stock of TRI-S, Incorporated, an environmental company engaged in the business of cleanup and transportation of hazardous and non-hazardous waste materials. The purchase price of $1,194,211 included the following: (a) $350,000 in cash, (b) $454,826 of promissory notes (discounted at 8% from a face amount of $510,000), (c) issuance of 61,425 shares of the Company's common stock (valued at $250,000), and (d) acquisition costs of $139,385. The transaction was treated as a purchase for financial statement purposes.

2. Pro Forma Adjustments:

These pro forma statements include adjustments to the historical statements of operations in order to show the effect of the acquisition of TRI-S, Incorporated (previously an S-Corporation), had it occurred on January 1, 1991. The adjustments are summarized as follows:

(a) To eliminate intercompany sales and purchases.

(b) To reflect the effect of the assumed acquisition at January 1, 1991 on Federal and State income taxes for the period.

(c) To reflect the effect of the assumed acquisition of TRI-S, Incorporated at January 1, 1991 on Federal and State income taxes for the period and the effect of the 1991 acquisition of The Allega Corporation (previously an S-Corporation) on Federal and State income taxes for the period, had it been a C-Corporation.

3. Pro Forma Earnings per Common Share:

Pro forma earnings per share of common stock have been computed by dividing the weighted average number of shares and equivalent shares of Environmental Services of America, Inc. common stock assumed to be outstanding into the pro forma combined net income.

Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations.

Environmental Services of America, Inc. (the "Company"), a Delaware corporation, and subsidiaries are engaged in the business of providing for the identification, remediation, transportation and disposal of hazardous waste and non-hazardous waste, and providing hydrogeological and environmental consulting as well as consulting and air quality testing, analysis and monitoring for private and public entities. The Company's stock is listed on NASDAQ and trades in the NASDAQ National Market System under the symbol "ENSA".

The services provided by the Company fit generally within four categories: (i) environmental remediation services; (ii) hazardous waste management services; (iii) environmental consulting services; and (iv) air quality testing services. The following is a description of the services provided.

* ENVIRONMENTAL REMEDIATION: ENSI, Inc., which maintains offices in New Jersey and Pennsylvania, provides comprehensive environmental management, transportation and cleanup services to generators and handlers of hazardous waste materials primarily in the mid-Atlantic states. TRI-S, Incorporated ("TRI-S"), based in Ellington, Connecticut, performs similar services in the New England states.

* HAZARDOUS WASTE MANAGEMENT SERVICES: The Company's hazardous waste management services include waste treatment and resource recovery, transportation, and transfer, storage and disposal coordination. Such services are provided primarily by Northeast Environmental Services ("NES"), which operates a Part 373 (RCRA Part B) permitted treatment, storage and disposal facility located near Canastota, New York. Additionally, NES maintains offices in New Jersey and Pennsylvania. Transportation and disposal coordination are also provided, to a lesser extent, by ENSI, Inc, and TRI-S.

* ENVIRONMENTAL CONSULTING SERVICES: International Exploration, Inc. ("INTEX"), and TRI-S, with offices in Pennsylvania, New York, New Jersey and Vermont, offer specialized environmental professional services, hydrogeological and geophysical consulting services and remedial design engineering.

* AIR QUALITY TESTING SERVICES: Scott Environmental Technology, located in Plumsteadville, Pennsylvania and The Almega Corporation with offices in Bensenville, Illinois and Signal Hill, California operate jointly as National Air Network, Inc. ("NAN"). NAN performs air quality testing, monitoring, analysis and consulting services.

Management's discussion and analysis is based upon the unaudited consolidated financial statements of the Company and its subsidiaries for the three month periods ended March 31, 1992 and 1991, and include the accounts of the Company and its wholly-owned subsidiaries, after elimination of all significant inter-company balances and transactions. The financial statements for the three months ended March 31, 1991 have been restated to include the results of operations and cash flows of The Almega Corporation in those periods.

Effective March 1, 1992, the Company acquired TRI-S Incorporated. The acquisition was accounted for as a purchase, and, accordingly, the Company's consolidated statement of operations include the operating results of TRI-S, Inc. for the one month period ended March 31, 1992. Net assets of $1,194,211 were acquired and were recorded at their fair market value at the effective date of the acquisition.

Results of Operations:

The following table presents items in the Consolidated Statements of Operations for the three months ended March 31, 1992 and 1991 as a percentage of net sales:

	Percentage of Net Sales Three Months Ended March 31,	
	1992	1991 (Restated)
Net sales	100.0%	100.0%
Cost of sales	57.4	64.8
Gross profit on sales	42.6	35.2
Selling, general and administrative expenses	33.4	23.9
Depreciation and amortization	3.1	1.7
Income from operations	6.4	9.6
Net non-operating income	0.2	0.4
Interest expense	(0.5)	(0.4)
Income before provision for income taxes	6.1	9.6
Provision for income taxes	(2.5)	(3.2)
Net income	3.6%	6.4%

Net sales - The net sales for the three months ended March 31, 1992, were $4,982,815, a decrease of 8.7% as compared to the first quarter of 1991. Remediation services sales decreased from $2,856,409 to $1,646,406, a 42.4% decline from the first quarter of 1991. This change is due to a) 1991 sales included two major non-recurring contracts with combined revenues for the first quarter of $1,500,000; and b) softening of the market for remediation services.

The following table sets forth the sources of net sales attributable to the four service areas of the Company (rounded to the nearest $000s). The Company provides its services on an integrated basis, and in many instances, services in one area of its business support or lead to a project undertaken in another area. In the table below, revenues derived from a particular service as part of a multi-faceted project are attributed to the operating subsidiary which actually performs the service as the general contractor.

Services Segment	Three Months Ended March 31, 1992 Net Sales		Three Months Ended March 31, 1992 Net Sales (Restated)		% Increase (Decrease) Three Months Ended March 31, 1992 Over 1991
Air test'ng, consulting and monitoring	$1,138,000	22.8%	$ 857,000	15.7%	32.8%
Hazardous waste management	1,773.000	35.6%	1,204,000	22.1%	47.3%
Environmental remediation	1,647,000	33.1%	2,856,000	52.3%	(42.4%)
Environmental consulting	425.000	8.5%	541,000	9.9%	(21.7%)
Total	$4,983,000	100.0%	$5,460,000	100.0%	(8.7%)

Gross Profit on Sales - The Company's gross profit on sales was $2,137,011 or 42.9% of sales for the three months ending March 31, 1992 vs $1,922,231 or 35.2% of sales for the first quarter of 1991. The increase in the gross margin is attributable to the increase in direct labor hours billed, which generally have higher markups than subcontract and other direct material costs.

Selling, general and administrative expenses - Selling, general and administrative expenses increased $358,739 from $1,306,677 for the first three months of 1991 to $1,665,416 for the first three months of 1992. The change is attributable to increases in the sales staff and other administrative personnel.

Income from operations - Income from operations for the first quarter was $318,750 (6.4% of net sales) compared with $523,337 (9.6% of net sales) for the comparable period in 1991. The changes in income from operations, both in amount and as a percentage of sales, reflect the decreases in sales, as well as, increases occurring in indirect expenses as discussed above.

Interest expense - Interest expense increased from $20,683 in the first quarter of 1991 to $26,754 in the first quarter of 1992. Interest expense was higher in the first quarter of 1992 due to the addition of $4,407 of interest expense of TRI-S, Inc., acquired as of March 1, 1992.

Net income and earnings per share - For the three months ended March 31, 1992, net income was $179,818 ($.04 per share), compared to net income of $351,853 ($.09 per share) for the three months ended March 31, 1991. The decrease in net income is due to the decline in sales over the same period in 1991, coupled with the increase in indirect operating expenses.

Liquidity and Capital Resources:

During the three month period ended March 31, 1992, long-term debt (net of current portion) increased by $395,304 to $737,177. The increase is attributable to the acquisition of TRI-S, which added $448,575 to long-term debt, including notes issued in connection with the acquisition and existing notes payable of TRI-S. Shareholders' equity increased by $429,818 which is attributable to (a) net income retained of $179,818, and (b), $250,000 of common stock issued in conjunction with the acquisition of TRI-S.

The Company's cash position consists of cash, short-term bank deposits and cash restricted for closure and transporter permits. At March 31, 1992, the Company's current ratio was 1.82 to 1.00, as compared to a current ratio of 2.23 to 1.00 at December 31, 1991.

Accounts receivable at March 31, 1992 was $5,103,169, an increase of $763,475 from December 31, 1991. TRI-S, Incorporated, had accounts receivable of $1,667,073 at March 31, 1992.

The Company believes that cash generated from operations and working capital on hand at March 31, 1992 will satisfy the Company's operating cash needs through the current fiscal year. In April 1992, the Company finalized a $2,800,000 line of credit, which will be used for the estimated $1,000,000 expansion to increase the capacity of the NES facility as well as to fund future acquisitions.

On February 18, 1992, the Company executed a letter of intent with Advance Ross Corporation providing for a business combination based upon the exchange of 2.25 shares of the Company's common stock for one share of Advance Ross Corporation's common stock. Subsequently, the exchange was revised to 3.0 shares of the Company's common stock for one share of Advance Ross Corporation common stock.

Advance Ross is engaged in the manufacture and installation of electrostatic precipitators for air pollution control. Advance Ross Corporation's sales for the year endnd December 31, 1991 were $5,870,000. As of December 31, 1991, Advance Ross had total assets of $26,258,000 with working capital of $21,603,000. The company has no debt outstanding.

PART II - OTHER INFORMATION

Item 1 Legal Proceedings.

None

Item 2 Changes in Securities.

On April 15, 1992 the Company entered into a Loan and Security Agreement (the "Loan Agreement") with United Jersey Bank pursuant to which the Company established a $2,800,000 line of credit. Although no funds have yet been drawn on the line of credit, under the terms of the Loan Agreement the Company and its subsidiaries may not declare any dividends or redeem its stock (other than dividends required under the Company's outstanding preferred stock), except with the bank's consent. The Loan Agreement also requires that the Company maintain working capital of not less than $1.4 million, in addition to various other financial covenants.

Item 3 Defaults Upon Senior Securities.

None.

Item 4 Submission of Matters to a Vote of Security Holders.

None.

Item 5 Other Information.

None.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits.

SEC Ref. No.	Exhibit No.	Document
4	4.01	Loan and Security Agreement dated April 15, 1992 by and between the Company and United Jersey Bank.

(b) Reports on Form 8-K.

On April 11, 1992 the Company filed a Current Report on Form 8-K dated March 19, 1992, reporting the Company's acquisition of the outstanding common stock of TRI-S, Incorporated. See note 2 to the Company's financial statements. The pro forma financial information required by item 7 of Form 8-K will be filed by the Company no later than June 3, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ENVIRONMENTAL SERVICES OF AMERICA, INC.

Date: May 14, 1992

By: _____
Jon Colin, President and
Chief Executive Officer

By: _____
Kathleen P. LeFevre, C.P.A.
Chief Financial Officer

Exhibit 4.01

LAU0410.LOAN&SEC.AGR

LOAN AND SECURITY AGREEMENT

This Loan and Security agreement is made this 15th day of April, 1992,

AMONG UNITED JERSEY BANK, a New Jersey banking corporation having its principal place of business at 210 Main Street, Hackensack, New Jersey ("Bank"),

AND ENVIRONMENTAL SERVICES OF AMERICA, INC., a Delaware corporation, having its principal place of business at 119 Paris Street, Newark, New Jersey ("Borrower"), and: The Almega Corporation; ENSI, Inc.; ENSI of Delaware, Inc.; ENSI of Pennsylvania Inc.; International Exploration Inc.; National Air Network, Inc.; and Northeast Environmuntal Services, Inc. ("Guarantor")

Purpose: This Loan Agreement is intended to set the terms of certain loans, and to provide security for existing and future financial accommodations, involving Bank, Borrower and the other parties to this Loan Agreement.

In exchange of the mutual covenants in the Loan Documents and other good and valuable consideration, receipt of which is hereby acknowledged, the parties to this Loan Agreement hereby agree to the following terms, conditions and provisions:

SECTION I - DEFINITIONS

1. Capitalized Terms. The capitalized terms in this Loan Agreement shall be defined as follows:

"Account(s)" means all of Borrower's and each Guarantor's existing and future-created or future-acquired accounts, receivables, rights of any kind to receive payment for goods sold or leased or for services rendered, contract rights, documents, bills, leases, rents, chattel paper, licenses, rights to refunds or indemnification, acceptance and other forms of obligations, tax refunds, insurance proceeds and all proceeds of the above including the right of stoppage in transit and all books, records, computer programs, tapes, discs, software and guaranties with respect to any of the above.

"Affiliate" means (a) any Person controlling, under common control with, or controlled by, any Obligor, whether that control is direct or indirect, (b) any Person in which any Obligor owns or controls any interest, whether that ownership or control is direct or indirect, (c) any employee, officer, shareholder, director, subsidiary or joint venture of any Obligor and (d) any relative of any individual mentioned in this definition.

"Approved Dating Account" means an Account that:

(A) provides that payment in full is due in more than 30, but less than 180, days from the date of the original invoice; and

(B) is evidenced by an invoice that recites that the subject goods are not returnable for credit more than 30 days after shipment; and

(C) arises pursuant to a dating program that has been, and continues to be, approved in writing by Bank, in its absolute discretion; and

(D) involves an account debtor that has been, and continues to be, approved in writing by Bank in its absolute discretion.

"Base" or "Base Rate" means the rate of interest that Bank adopts from time to time as its official base lending rate. The base rate is not tied to any external rate of interest or index and does not necessarily reflect the lowest rate of interest actually charged at any given time by Bank to any particular class or category of customers of Bank. Any change in the base rate shall be effective immediately when adopted by the Bank, without notice to any Obligor.

"Borrower" means each Person named as "Borrower" in the caption of this Loan Agreement and its or their successors or heirs and assigns. If there is more than one Borrower, the term "Borrower" shall refer to each Borrower unless the text expressly refers to "any Borrower" or "either Borrower".

"Capital Expenditure" means any expenditure for any fixed assets, improvements, replacements, substitutions or additions that have a useful life of more than one (1) year including the direct or indirect acquisition of such assets by way of increased product charges, offset items or otherwise, and capitalized leases.

"Collateral" means any property of any Obligor in which Bank has been, or may be, granted an interest to provide

security for any Obligation including, (A) all Accounts, (B) all bank balances of each Obligor and (C) all proceeds and products of, and substitutions for, the foregoing.

"Date of Closing" means the date of the execution and delivery of this Loan Agreement.

"Eligible Receivable(s)" means any right of any Obligor to receive payment for goods sold or services rendered in the ordinary course of the Obligor's business that is and continues to be acceptable to Bank in all respects. Standards of eligibility may be fixed and revised by Bank, in Bank's reasonable discretion. In general, Bank will not deem an Account to be eligible unless it:

(A) is a valid, legally enforceable account receivable for a liquidated sum; and

(B) represents either (x) goods physically delivered to the invoiced account debtor or a common carrier or (y) services fully completed to the satisfaction of the invoiced account debtor, and in either case a receipt has been received by Obligor; and

(C) (i) provides that payment in full is due in less than 30 days from the date of the original invoice and has not remained unpaid, in whole or in part, for more than 90 days from the date of the original invoice or (ii) is an Approved Dating Account and has not remained unpaid, in whole or in part, for more than 30 days from the due date of the original invoice; and

(D) is subject to no set-offs, credits, allowances, discounts or adjustments; and

(E) exceeds, and only to the extent it exceeds, all indebtedness owing from Obligor to the account debtor of such Account; and

(F) relates to no sale that was made on a bill-and-hold, guaranteed sale, sale-and-return, partial billing for partial shipment, sale on approval or consignment basis; and

(G) relates to no goods that have been returned and to no goods or services that are being disputed by the account debtor; and

(H) is owned solely by Obligor and pledged only to Bank; and

(I) involves no account debtor who has (i) its

billing address outside of the United States and (ii) no legitimate business offices and no substantial assets in the United States; and

(J) involves no account debtor who is an Affiliate; and

(K) involves no account debtor who has outstanding and unpaid invoices that are ineligible under subparagraph (C) of this definition in amounts that, in the aggregate, exceed twenty-five percent (25%) of the total indebtedness owing, from time to time , from the account debtor to Obligor; and

(L) involves no account debtor who has outstanding invoices that exceed twenty-five percent (25%) of the total amount of otherwise Eligible Receivables.

"Event of Default" means any event of default listed in Section X.

"Guarantor(s)" means each Person named as "Guarantor(s)" in the caption of this Loan Agreement, Borrower and any other Person who at any time guarantees payment or performance of any Obligation to Bank, and their successors or heirs, and assigns.

"Guaranty" means the provisions of Section 6.4 and any other agreement pursuant to which any Guarantor has guaranteed, or may in the future guaranty, any Obligations.

"Hazardous Substance(s)" means any pollutants and dangerous substances including radon, and any "hazardous wastes" or "hazardous substances" as defined in the Environmental Cleanup Responsibility Act (N.J.S.A. 13:1K-6 et seq.), the Spill Compensation and Control Act (N.J.S.A. 58:10-23.11 et seq.), the Resource Conservation and Recovery Act (42 U.S.C. Sec. 6901 et seq.), the Comprehensive Environmental Responsibility Compensation and Liability Act Sec. 9601 et seq.), or any other state of federal environmental law or regulation.

"Instrument" means all of Borrower's existing, future-created and future-acquired "instruments" as that term is defined in the New Jersey Uniform Commercial Code.

"Letter(s) of Credit" means all existing or future letters of credit issued by Bank upon the application of any Obligor, or issued by any other institution upon the application of any Obligor and for which Bank has assumed any liability.

"Loan Agreement" means this Loan and Security Agreement.

"Loan Document(s)" means this Loan Agreement and all documents, notes, assignments, mortgages, guaranties, certificates and agreements of any kind listed, described or referenced on the Closing Memorandum annexed to this Loan Agreement as "Exhibit A" or otherwise executed in connection with this Loan Agreement.

"Loan Value of Eligible Receivables" means up to Seventy Percent (70%) of the face amount of eligible Receivables, less returns, discounts, credits and allowances of any nature.

"Obligation(s)" means all debts, liabilities, duties and obligations owing by any Obligor to Bank, whether direct or indirect, now existing or in the future created or acquired, contingent or non-contingent, due or to become due, liquidated or unliquidated all expenses of Bank to protect any Collateral or Bank's interest in any Collateral, Letters of Credit, commitments of any and all other debts and obligations relating to, or arising under, this Loan Agreement or any other Loan Document.

"Obligor(s)" means each Borrower and Guarantor, and every other Person who may now or in the future have any duties, debts or liabilities to Bank pursuant to any Loan Document.

"Opinion Letter" means the opinion letter from the Obligors' counsel in the form annexed as "Exhibit D" co this Loan Agreement.

"Permitted Encumbrance(s)" means (A) any lien or encumbrance in favor of Bank, and (B) any lien or encumbrance expressly referenced as a Permitted Encumbrance on "Exhibit E" annexed to this Loan Agreement.

"Person(s)" means an individual, corporation, partnership, limited partnership, joint venture, trust, joint stock company, unincorporated organization, association, governmental agency or political subdivision.

"Plan(s)" means each employee benefit plan maintained for employees of any Obligor, or any Subsidiary, as defined in Section 3(2) of the Employee Retirement Income Security Act of 1974, as amended.

"Principal's Certificate" means the principal's certificate of this date given to Bank by the chief executive

officer of Borrower.

"Revolving Loan" means the loans described in Section II.

"Revolving Loan Maximum" means TWO MILLION EIGHT HUNDRED THOUSAND and 00/100 DOLLARS ($2,800,000.00), less any reserves established by Bank from time to time, or such higher or lower amount that Bank may, in its sole discretion, establish in the future upon seven (7) days notice to Borrower.

"Revolving Note" means the revolving note of this date from Borrower to the order of Bank and any amendments or modifications. A copy of the Revolving Note is annexed to this Loan Agreement as "Exhibit C".

"Section" means a section of this Loan Agreement.

"Subordinated Debt" means any liability of any Obligor to any other Obligor, direct or indirect, now existing or in the future created or acquired, contingent or noncontingent including any and all liabilities listed as Subordinated Indebtedness on Exhibit 2 annexed to the Principal's Certificate, but excluding salaries and reimbursed expenses that are in reasonable amounts and consistent with the terms of this Loan Agreement.

"Tangible Net Worth" means (x) total "assets" less (y) total "liabilities". For purposes of this definition "assets" and "liabilities" shall be determined in accordance with generally accepted accounting principles, except that there shall be excluded from the definition of "assets" all intangible assets including general intangibles, organizational expenses, patents, trademarks, service marks, copyrights, goodwill, covenants not to compete, research and development costs, treasury stock, prepaid expenses, monies due from principals and Affiliates, Accounts outstanding for more that twelve (12) months from the original invoice date, inventory that has not been sold within twenty-four (24) months of purchase or manufacture, equipment not in use for more than twenty-four (24) months and all unamortized debt, discounts and deferred charges, and any Subordinated Debt shall be excluded from the definition of "liabilities".

"Term" means the duration of this agreement as set forth in Section 5.5.

"Termination Event" means a "reportable event" as defined in section 4043 (b) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), the filing of a notice to terminate under section 4041 of ERISA or any other

event or condition that might constitute grounds under section 4042 of ERISA for the termination of, or for the appointment of a trustee to administer, any Plan.

"Working Capital" means "current assets" less "current liabilities". For purposes of this definition "current assets" and "current liabilities" shall be determined in accordance with generally accepted accounting principles, except that there shall be excluded from "current assets" prepaid expenses, monies due from principals and Affiliates, Accounts outstanding for more than twelve (12) months from the original invoice date, Inventory that has not been sold within twenty-four (24) months of purchase or manufacture and all unamortized debt, discounts and deferred charges, and any Subordinated Indebtedness shall be excluded from the definition of "current liabilities."

1.2 Interpretation. Unless otherwise specified, the following rules of construction shall apply to this Loan Agreement:

(A) The term "any" shall be construed as if followed by the phase "one or more"; the term "including" shall be construed as if followed by the phrase "without limitation" and the term "days" shall be construed as if preceded by the word "calendar", unless already preceded by the word "business".

(B) Singular words include the plural and plural words include the singular.

(C) Title headings and subheadings are for organizational purposes only and neither add to, nor limit, the meaning of any provision.

SECTION II - REVOLVING LOAN

During the term of this Agreement, and provided that no default has occurred (or, with the passage of time will occur) under any Loan Document or Obligation, the Bank will lend to Borrower such amounts and under such terms and conditions as set forth in the following:

3.1 Amount and Percentage. The aggregate amounts of all loans and extensions of credit under the Revolving Loan, as presently contemplated, will not exceed the lesser of the Revolving Loan Maximum or the Loan Value of Eligible Receivables.

3.2 Loans in Excess of Ratio. If, for any reason, the outstanding balance of the Revolving Loan at any time exceeds the Revolving Loan Maximum or the Loan Value of

Eligible Receivables described above, all sums advanced shall nonetheless constitute indebtedness under the Revolving Loan.

3.3 Discretionary Advances and Reserves. The parties understand and agree that Bank is under no duty to make any advance under this Revolving Loan if a default has occurred (or with the passage of time will occur) under the Loan Documents or Obligations and in such event will make only those loans as it deems advisable. In addition, Bank may in its absolute discretion, establish reserves against the Revolving Loan Maximum including reserves due to Letters of Credit or other commitments on behalf of any Obligor, taxes, liens or claims against any Obligor, non-creditworthy account debtors, disputed or non-verifiable Accounts and Accounts which are not properly shown as Eligible Accounts in a current aging report. Bank shall deposit each advance in an account in Borrower's name maintained at Bank for that purpose.

3.4 Revolving Note. The Revolving Loan shall be evidenced by the Revolving Note, a copy of which is annexed as Exhibit C and will be delivered to Bank on Date of Closing. Bank will endeavor to record all advances, interest and payments in Bank's records for the Revolving Loan. The failure of Bank to make any such record shall not alter or impair the rights and remedies of Bank if an advance has actually been made or the rights of Borrower if a payment has actually been delivered.

3.5 Calculation of Interest. Interest on the principal amount of the Revolving Loan shall be calculated at a floating rate equal at all times to the Base Rate. Interest shall be calculated on a 360-day year based on the number of days elapsed. After the end of each calendar month, Bank shall endeavor to mail to Borrower a statement setting forth the accrued interest of that month. That statement will be deemed to be correct unless Borrower has delivered to Bank specific written objections within ten (10) days of Borrower's receipt.

3.6 Payment of Interest. Interest on the principal balance of the Revolving Loan is due and payable on the first day of each month. Any interest not paid when due may, in Bank's discretion and without limitation of any other right or remedy in any Loan Document, be added to the principal amount outstanding under the Revolving Loan.

3.7 Letters of Credit. If Bank, in its discretion, issues or processes an application for a Letter of Credit, Bank shall be paid, upon demand, Bank's standard fees for those services that are then in effect. Bank shall also be paid, upon demand, all payments made, or expenses incurred, in connection with the processing of or payment under any

Letter of Credit. Bank may establish such reserves as it deems appropriate relating to any Letter of Credit and reduce the Loan Value of Eligible Receivables by the amount of those reserves.

3.8 Termination. The provisions of this Loan Agreement that provide for the making of advances under the Revolving Loan may be terminated (A) by Bank at any time after the occurrence of any Event of Default or otherwise upon ten (10) days written notice to Borrower, and (B) by Borrower upon (i) sixty (60) days written notice to Bank, (ii) payment in full of all Obligations and the applicable prepayment premium and (iii) delivery of an agreement to Bank's reasonable satisfaction from a creditworthy financial institution indemnifying and holding harmless Bank as to claims with respect to checks or other forms or payment that Bank has credited against Borrower's loan balance. Prepayments shall be made only by wire transfer of good, collected and investable funds, or by bank, cashier's or certified check, which payment shall be delivered by 12:00 noon on the payoff date and shall be made to the attention of the Commercial Finance Department. Prepayments received after 12:00 noon shall not be credited until the next banking day and prepayments made by cashier's or certified check shall include interest for three (3) additional days to reflect the period for collecting on the check. Prepayments shall be applied first to any expenses owing to Bank, then to interest and then to principal and, when applied to principal, shall be applied to installments in inverse order of their maturity.

SECTION IV - COVENANTS FOR REVOLVING LOAN

Borrower hereby agrees with respect to the Revolving Loan as follows:

4.1 Minimum Loan Values. Borrower shall maintain sufficient Eligible Receivables so that the sum of the Loan Value of Eligible Receivables, less any reserves established by Bank, is at all time greater than all indebtedness, including Letters of Credit, outstanding under the Revolving Loan.

4.2 Requirement for Advances. Borrower shall provide to Bank, on the day of any request for any advance, the following:

(A) executed Bank form of "Daily Report for Revolving Loan; and

(B) executed Bank form of "Schedule of Eligible Receivables"; and

(C) executed Bank form of "Remittance Report"; and

(D) if at any time requested by Bank, true copies of purchase orders.

4.3 Delivery of Proceeds to Bank. Subsequent to the occurrence of an Event of Default, Borrower and each Obligor shall, immediately upon receipt, deliver to Bank all proceeds of Accounts in the form received together with completed remittance reports. Pending that delivery, each Obligor shall hold all proceeds separate and apart in an express trust for Bank and shall not commingle them with any other property or funds. Bank may deposit those proceeds in a cash collateral account over which Bank alone shall have the power of withdrawal. Borrower and each Obligor hereby appoints Bank as its attorney-in-fact to endorse Borrower's and Obligor's name on any proceeds of Accounts for the purpose of depositing the same in that cash collateral account.

4.4 Calculation of Loan Balance. Domestic checks received by the Commercial Finance Department of Bank prior to 12:00 noon on any day shall be credited against the principal balance of the Revolving Loan on the same day. Domestic checks received by the Commercial Finance Department of Bank after 12:00 noon of any day shall be credited against the principal balance of the Revolving Loan on the next business day. Any proceeds of Accounts, other than domestic checks, shall be credited against the principal balance of the Revolving Loan when the Commercial Finance Department of Bank has received notification of its collection by Bank, provided, however, that if such notice is received after 12:00 noon of any day, Bank will credit the principal balance on the next business day. All such credits are given under the condition that final payment be made to Bank in cash or good and solvent credits. If final payment is not made to Bank in a timely fashion, Bank may rescind the amount of any credit. If proceeds of Accounts are delivered to any branch office of Bank, such proceeds shall not be deemed to have been received by Bank until the validated deposit slip and the reports required under Section 4.2 have been delivered by Borrower to the Commercial Finance Department at Bank's principal offices.

4.5 Collection Days. For the purpose of calculating interest on the Revolving Loan, interest shall continue to accrue on the amount of any domestic checks for five (5) business days after receipt by the Commercial Finance Department of Bank, notwithstanding that Bank may have earlier credited the amount of any check against the principal balance of the Revolving Loan. Any check received by the Commercial Finance Department of Bank after 12:00 noon shall be deemed to have been received by Bank on the next business day.

Interest shall continue to accrue on the amount of any proceeds of Accounts other than domestic checks, until final payment is actually made to Bank.

4.6 Monthly Aging Reports. By the seventh (7th) day of each month, Borrower shall provide to Bank (A) a fully completed and accurate aging report setting forth for each Account (i) the full name and address of the account debtor; (ii) the invoice date and number; (iii) the age calculated from the original invoice date to the end of the preceding calendar month in categories of 0-30, 31-60, 61-90, and over 90 days and, if there are Approved Dating Accounts, additional 30 day categories for any Approved Dating Accounts through the maximum age acceptable to Bank; and (iv) the amount due and owing as of the end of the preceding calendar month, and (B) a statement setting forth the date and identification number of the last reports submitted under Sections 4.2 (A) through (D) that were utilized in preparing that aging report, which report and statement shall be personally certified to be true and complete without qualification by the president of Borrower or by a person who is duly authorized by the president to make such representations on the president's behalf.

4.7 Bank Statement and Over-Advances. If Bank advises Borrower that the total loans and extensions of credit outstanding under the Revolving Loan exceed (A) the Revolving Loan Maximum, or (B) the Loan Value of Eligible Receivables, Borrower shall immediately pay that excess in cash to Bank. This provision shall not in any way limit Borrower's obligation to comply at all times with the minimum loan value requirements of Section 4.1.

4.8 Miscellaneous. Borrower agrees to each of the following:

(A) Assignments. If at any time requested by Bank, but in no event less than on a weekly basis, provide to Bank, upon demand, duly executed assignments of all Accounts on forms satisfactory to Bank.

(B) Documents. If at any time requested by Bank, provide to Bank original customers' invoices and original shipping or delivery receipts for all Eligible Receivables and other Accounts.

(C) Creditworthiness. Notify Bank, within two (2) days of receipt, of any information that is materially detrimental to the creditworthiness of any account debtor that owes Borrower, in the aggregate, in excess of One Percent (1%) of the total amount of the Eligible Receivables.

(D) Change in Receivables. Make no change in the terms of, nor redate, nor replace any Account, except as expressly permitted above.

(E) Special Account Debtors. Clearly identify in any aging or other report given to Bank, any Account for which the account debtor (i) is the United States government or any department, agency or division thereof, (ii) is insolvent, or is undergoing insolvency or bankruptcy proceedings, (iii) is a creditor of, or supplier to, Borrower or (iv) has its principal offices located outside of the United States.

(F) Dating Terms. Make no sales on extended dating terms for which payment of the face amount is due more than thirty (30) days from the original invoice, except for Approved Dating Accounts.

(G) FICA and Withholding. Within five (5) days after the due date for making deposits for F.I.C.A. and withholding taxes, deliver evidence satisfactory to Bank that such deposits have been made.

4.9 Monitoring and Collection. Borrower agrees as follows:

(A) Verifications. Bank, at any time, may make test verifications of any Accounts in any reasonable manner and name that Bank may choose, including by telephone call or letters, and Borrower shall lend all requested assistance to Bank.

(B) Notice to Account Debtors. Bank, at any time, may notify, or direct Borrower to notify, any account debtor of the interests granted to Bank under this Loan Agreement.

(C) Attorney-in-Fact. Borrower hereby appoints Bank, or any other person whom Bank shall designate, as the attorney-in-fact of Borrower with the full power in Borrower's or Bank's name, to (i) endorse Borrower's name on any checks, notes, acceptances, money orders, drafts or other forms of payment or security that may come into the possession of Borrower or Bank; (ii) notify the post office authorities to change the address for delivery of Borrower's mail to an address designated by Bank; (iii) receive, open and dispose of all mail addressed to Borrower; (iv) request verification of Accounts from account debtors; and (v) do all things reasonably necessary to carry out this Loan Agreement. This power, being coupled with an interest, is

irrevocable so long as any Obligation remains outstanding.

SECTION V - PAYMENTS, PROCEEDS AND TERM

5.1 Manner of Payment. During the Term, an account shall be maintained at Bank with sufficient available balances to pay the full amount of all principal, interest and other charges on the first day when due under each Obligation. On or after the first due date for any payment Bank may, without any further authorization or notice, charge that account or any other account maintained by any Obligor, or make any advance under the Revolving Loan, for the full amount then due. All payments not so charged against an account shall be delivered to Bank in immediately available funds when due and, in any event immediately upon the earlier of demand or receipt of a statement from Bank, in United States currency. Any delay by Bank in submitting a statement of any amount due shall not relieve any duty to inquire as to the amount due and to make timely payment.

5.2 Payment on Non-Business Days. Any payment that is due on a Saturday, Sunday or a banking holiday under the laws of the State of New Jersey may be made on the next succeeding business day together with interest for each such additional day after the original due date.

5.3 Late Payments. If any payment is not received within ten (10) days from the date that payment is due, Bank may charge a "late charge" equal to the greater of (x) One Hundred Fifty and 00/100 DOLLARS ($150) or (y) Five Cents ($.05) of each dollar of principal, interest, charges and expenses overdue for the purpose of defraying the expense incident to handling the delinquent payment. This late charge shall be in addition to, and not in lieu of, any other right or remedy Bank may have as a result of a late payment.

5.4 Use of Proceeds. The proceeds of the Revolving Loan shall be used for general corporate and working capital purposes.

5.5 Term. The Term of this Loan Agreement shall commence as of the Date of Closing and, subject to the provisions hereof, shall expire at midnight on the date that all Obligations have been fully paid and no contingent Obligations are outstanding. The provisions of this Loan Agreement (except for certain lending provisions that may be terminated as provided in Section 3.10) and all collateral interests, shall remain in full force and effect while any Obligations remain outstanding.

5.6 Interest Limits. If the fulfillment of any provisions in any Loan document relating to the rate of interest is prohibited by, or in violation of, any applicable law in effect at the time payment is due, the interest rate shall be automatically reduced to the maximum rate then permitted by law. If for any reason Bank should receive as interest an amount that would exceed the highest applicable lawful rate of interest, that amount in excess of the lawful rate will be deemed to have been credited against principal and not against interest. This provision shall control every other provision in any Loan Document that is applicable to the calculation of interest.

SECTION VI - SECURITY, GUARANTIES AND SUBORDINATION

As security for the timely repayment of all indebtedness under, and the timely performance of each and every covenant and condition described in, each and every Obligation, the following interests and rights are hereby granted to Bank:

6.1 Grant of Interest and Assignments. Borrower and each other Obligor hereby grant to Bank a security interest in, and do hereby assign to Bank, all right, title and interest in and to all of the following described property:

(A) Accounts

(B) Proceeds and products of, and substitutions for, the foregoing;

(C) Insurance policies and proceeds relating to the foregoing;

(D) Deposit, bank or institutional accounts, certificates of deposit, money market accounts, securities and debentures of any Borrower or other Obligor maintained at, or on behalf of, Bank.

When each Obligor shall promptly pay the principal, interest and all other amounts due or to become due under every Obligation, and shall have performed and complied with all provisions to be performed or complied with under every Obligation to which such Person may be a party or a Guarantor, then the rights hereby granted and assigned shall terminate and cease. However, any claim or statement by a duly authorized officer or attorney of Bank that any Obligation remains unpaid or outstanding shall be sufficient evidence of the validity, effectiveness and continuing force and effect of any Obligation and the Collateral and other interests conveyed to Bank in any Loan Document or Obligation.

6.3 Property on Deposit. Each Obligor hereby grants to Bank a security interest in, and a right of setoff against, all of their respective property that is at any time in the possession of, deposited with, or in the custody of, Bank including all present and future deposit accounts of all kinds.

6.4 Guaranties. To induce Bank to make loans and extend credit to Borrower or any other Obligor, now or in the future, each Guarantor hereby agrees to the following:

(A) Each Guarantor, jointly and severally, hereby unconditionally guarantees full and prompt payment when due (and not just the collectibility) of all Obligations including all indebtedness of any Obligor arising in the future.

(B) Without incurring responsibility to any Guarantor and without impairing or releasing this Guaranty, Bank may, at any time and from time to time, without the consent of, or notice to, any Guarantor, do any of the following:

(i) change the terms of any Obligation including the principal amount, interest rate or the manner, place, time or terms of payment; or

(ii) extend, renew, recast, redocument or postpone any Obligation; or

(iii) sell, release, realize upon or otherwise deal with, in any manner and in any order, any Collateral; or

(iv) exercise or refrain from exercising any one or more rights or remedies against any Obligor or Collateral; or

(v) settle or compromise any Obligation; or

(vi) apply any proceeds of any Collateral received from any Obligor to reduce any Obligation.

(C) Each Guarantor waives and releases:

(i) every claim or defense relating to Bank's delay or forbearance in exercising any right or remedy including any delay or forbearance in the liquidation of any Collateral; and

(ii) every claim relating to any failure to properly document any Obligation or obtain or perfect any interest in any Collateral; and

(iii) notice of default, non-payment, presentment, demand, protest or dishonor relating to this Guaranty or any Obligation.

(D) So long as any Obligation remains unpaid or outstanding, each Guarantor agrees to allege, assert as a defense or exercise no right of subrogation resulting from any payment made pursuant to this Guaranty.

(E) This Guaranty may be terminated as to any Guarantor after at least sixty (60) days written notice to Bank provided, however, that the terminating Guarantor shall remain liable for all Obligations incurred through and until the effective date of that termination together with all interest and collection expenses that may thereafter accrue with respect to those Obligations.

(F) Upon the happening of any Event of Default, then, and in such event, and at any time thereafter, Bank may, without notice to any Obligor, make any Obligation immediately due and payable as to any Obligors, collect any Obligation in full from any one or more Obligors immediately upon demand and exercise any other right or remedy in any Loan Document.

(G) The settlement or release of claims by Bank in favor of any Obligor shall not reduce the amount due from any other Obligor under the terms of this Guaranty.

(H) This Guaranty is secured by all Collateral.

6.6 Subordination. To induce Bank to make loans and extend credit to Borrower or any other Obligor, now or in the future, each Obligor hereby agrees to the following:

(A) No Subordinated Indebtedness is to be paid, whether by way of loan or otherwise, and no security therefor is to be given or received, by any Obligor during the Term, with the exception of payment of regular monthly rent under any lease specifically approved by Bank in writing.

(B) No Obligor shall assign or subordinate any part of the Subordinate Indebtedness, except to Bank. Each Obligor shall, immediately upon receipt, deliver any

payment or security received in contravention of this Section 6.6, in precisely the form received (but with an endorsement of the Obligor receiving the same when requested by Bank) for application on account of any Obligation and, until so delivered, shall be deemed received by that Obligor as trustee for Bank and shall be held separately by that Obligor as the property of Bank.

(C) As security for each Obligation, each Obligor hereby transfers, pledges and assigns to Bank all right, title and interest in and to the Subordinated Indebtedness together with any security at any time held or received therefor, If the amount of the Subordinated Indebtedness is less than the aggregate principal amount of all Obligations, Bank may, in any suit or proceeding to collect or enforce any Obligation, assert and prosecute its claim without joining each Obligor as a party.

(D) Each Obligor hereby represents and agrees that (i) any Subordinated Indebtedness described in Exhibit 2 annexed to the Principal's Certificate is presently owing, without counterclaim, defense or set-off; (ii) none of the Subordinated Indebtedness is or will be represented in a negotiable instrument, except such as have been endorsed and delivered to Bank simultaneously with the execution of this Loan Agreement; and (iii) no prior transfer or pledge of any interest in any Subordinated Indebtedness has been made, except to Bank.

(E) Without affecting any rights of Bank under this Section 6.6, Bank may, at any time and form time to time, without the consent of, or notice to, any Guarantor, take any of the actions described in Section 6.5 (B) (i)-(vi).

6.7 Other Collateral. Other interests granted to Bank to secure the Obligations, subject only to any Permitted Encumbrances relating to that particular property so encumbered, may be evidenced by agreements referenced on the Closing Memorandum annexed as Exhibit A.

SECTION VII - REPRESENTATIONS AND WARRANTIES

As of the Date of Closing and as of the time of each advance under the Revolving Loan, the Obligors represent, warrant and agree as follows:

7.1 Organization and Authority. Each corporate Obligor is a duly organized and validly existing corporation

that is in good standing under the laws of its respective state of incorporation and is duly qualified and in good standing in each state in which its property or business subjects it to qualification requirements as a foreign corporation. Each Obligor has full power, authority, franchises, licenses and right to enter into and perform each of the Loan Documents to which it is a party and to carry on its business as now being conducted.

7.2 Authorization. Each of the Loan Documents has been duly authorized by all requisite corporate action and has been duly executed on behalf of all Obligors.

7.3 No Conflicting Agreements or Laws. Neither the execution nor the delivery of any Loan Document, nor the consummation of the transaction contemplated thereby, nor the fulfillment of, compliance with or performance of the terms and conditions therein, is prevented or limited by, conflicts with or will result in the breach or violation of, or a default under the terms or conditions of (A) any certificate of incorporation, partnership agreement, charter or other agreement to which any Obligor is bound, or (B) any order of any court or administrative agency applicable to any Obligor, or (C) to the best of Borrower's knowledge, any material law, rule or regulation applicable to any Obligor. No Obligor is, or by the execution, delivery or performance of any Loan Document will be, in default under, or in violation of, any of its obligations under any material agreement or undertaking to which that Obligor is a party or by which that Obligor is bound.

7.4 No Conflicting Litigation. There is no action or proceeding pending or threatened against any Obligor or involving any assets of, or ownership in, any commercial Obligor before any court, administrative agency or governmental authority that might (A) adversely affect any Obligor's ability to authorize or perform any Obligations, (B) involve the possibility of any judgment or liability that would result in any material adverse change in any obligor's business, properties or assets or in the value of Bank's interest in any Collateral, (C) adversely affect the enforceability of any Loan Document, or (D) involve possible or threatened claims totalling in excess of $250,000, except for any litigation that has been accurately and completely described on Exhibit 3 annexed to the Principal's Certificate.

7.5 Collateral Ownership. (A) The Obligors are the sole owners of, and holder of good and marketable title to all collateral.

7.6 Liens Against Collateral. All Collateral is now free and clear of any lien, claim, charge, tax assessment,

lease, assignment, pledge, security interest, judgment or encumbrance of any kind, except for any Permitted Encumbrances, and there are no judgments of record in the State of New Jersey or in any other state where any Collateral may be located against any name used within the past 20 years by any Obligor or by any Obligor's predecessor or successor in interest.

7.7 Location of Collateral and Offices. All records of all Accounts and other Collateral and the chief executive offices of Borrower are at all times maintained and for the past four months have at all times been maintained at the principal place of business of Borrower set forth in the caption of this Loan Agreement, except as set forth in the Schedule attached hereto.

7.8 Financial Information and Condition. The consolidated financial statement of Borrower and of the Guarantors dated December 31, 1991 and delivered to Bank truly sets forth the financial condition of Borrower and the Guarantors and the results of operations as of that date and there has been no material adverse change since then. All other statements, representations and warranties made by any Obligor to the Bank have been, and as of the Date of Closing are, accurate and complete and no information has been omitted that would make any of them misleading or incomplete. Immediately prior to, and after the making of each loan described in this Loan Agreement, Borrower was not, and will not be, (A) "insolvent" as that term is defined in N.J.S.A. 14A:1-2(k) (or any successor statute governing fraudulent transfers) or in 11 U.S.C.A. 101(31) or (B) left with "unreasonably small capital" or "debts beyond the debtor's ability to pay as such debts become due" as those phrases are construed under 11 U.S.C.A. 548(a)(2)(B) or any other applicable statute governing fraudulent transfers.

7.9 Environmental Matters. No Obligor has generated, stored, treated, discharged, handled, refined, spilled, released or disposed of any Hazardous Substances in violation of any applicable law or regulation, except as set forth on Exhibit 4 annexed to the Principal's Certificate. No Obligor has received any notice, or is on notice of, any claim, investigation, litigation or administrative proceeding, actual or threatened, of any order, writ or judgment that relates to any discharge, spill, handling, refining, release, emission, leaching or disposal of pollutants of any kind including any Hazardous Substances by, or on property owned or leased by, any Obligor. All permits that any Obligor is obligated to maintain under any environmental law or regulation have been obtained. In connection with any acquisition, sale, closing, transfer, change in control or merger of Borrower or any commercial Obligor or any commercial

premises since December 31, 1983, either (A) the New Jersey Environmental Clean-up Act (N.J.S.A. 13:1K-6 et seq.) ("ECRA") was complied with by submitting a "Negative Declaration" as that term is defined in N.J.A.C. 7:1-3.3 or by completing a "Clean-up Plan" as that term is defined in N.J.A.C. 7:1-3.3, which Negative Declaration or Clean-up Plan has been approved,without condition or reservation, by the New Jersey Department of Environmental Protection, or (B) Borrower has delivered to Bank proof satisfactory to the Bank and its counsel that ECRA was inapplicable to that transaction.

7.10 Taxes. Each Obligor has filed all tax returns and reports required to be filed and has either paid all taxes that are due and owing (including penalties, deficiency assessments and interest) or provided adequate reserves in an escrow account maintained with Bank for that express purpose. All such returns and reports are accurate and complete in all respects.

7.11 Name and History. During the past twenty (20) years, no Obligor has (A) had, used or operated under any other name or trade name, (B) acquired any other organization or entity or a substantial portion of the assets of any other organization or entity, (C) merged, or been merged into, any other organization or entity or (D) controlled, directly or indirectly, any non-individual Person, except as set forth on Exhibit 5 annexed to the Principal's Certificate.

7.12 Principals. The names and respective interests and offices of all Persons who to the Borrower's knowledge directly or indirectly own or control Ten Percent (10%) or more of any class of stock of any corporate Obligor, are set forth on Exhibit 6 annexed to the Principal's Certificate.

7.13 ERISA. There has not occurred, and there are no circumstances that, with the lapse of time or giving or notice, may lead to the occurrence of, a Termination Event under any Plan.

7.14 Margin Stock. No Obligor is involved, as one of its important activities, in the business of extending credit for the acquisition of any "margin stock" (within the meaning of Regulation U issued by the Board of Governors of the Federal Reserve System of the United States) and no proceeds of any loans under this Loan Agreement will be used to purchase, or to extend credit to others so that they may purchase, any such margin stock.

7.15 Contra Accounts. Except for amounts under $15,000 (to any single creditor) Borrower owes no indebtedness, nor has any other obligations of any kind, to any account debtor, except as set forth on Exhibit 7 annexed

to the Principal's Certificate.

7.16 Government Accounts. No Accounts in excess of $15,000 are owing from the United States government or an agency thereof, except as set forth on Exhibit 8 annexed to the Principal's Certificate.

7.17 Bill-and-Holds. Borrower has invoiced, and will invoice no Accounts in advance of performance of services or shipment of all of the goods on any invoice, except as set forth on Exhibit 9 annexed to the Principal's Certificate.

7.18 Compliance with Loan Documents. Each Obligor is in full compliance with all terms and conditions of all Loan Documents.

7.19 Survival. All representations and warranties in any Loan Document shall survive both the closing of any loans and any independent investigation by Bank.

SECTION VIII - AFFIRMATIVE COVENANTS

Each Obligor agrees to observe and perform the duties and covenants imposed upon that Obligor under each Loan Document and Obligation and, in addition, to do all of the following so long as any Obligation remains unpaid:

8.1 Protection of Collateral. Protect the value of Bank's interest in all Collateral including defending against all claims and demands of any Person claiming title to, a lien against or security interest or other interest adverse to Bank in, any Collateral.

8.2 Insurance. Maintain insurance as follows:

(A) casualty insurance written in the broadest "all risk" form available on a replacement cost basis and covering all tangible assets of Borrower and all Collateral including inventory and equipment in all locations. That insurance shall be in amounts at all times at least equal to the full insurable value of such assets and the Collateral, but in no event shall (i) the casualty insurance of inventory, equipment and leasehold improvements be less than $1,000,000, or (ii) the casualty insurance on all owned premises be less than $1,000,000; and

(B) public liability insurance in the name of Borrower, and any other commercial Obligor, including a contractual liability endorsement, in the amounts of $1,000,000 for the death or bodily injury to one person, $2,000,000 for the death or bodily injury in any one

accident or occurrence and $500,000 for loss or damage to the property of any person or persons; and

(C) Hazardous Waste hauling insurance of at least $5,000,000 and pollution insurance of at least $1,000,000.

(D) worker's compensation insurance, as may be required by law; and

(E) all such insurance coverage may be effected under overall blanket or excess coverage policies provided, however, that all insurance shall be in amounts sufficient to prevent the insured from being a co-insurer within the terms of any insurance policy;and

(F) all policies or endorsements shall (i) name "Bank and its successors and assigns as their interests may appear" as "additional insured" as to all insurance and "loss Payee" as to all casualty insurance, (ii) contain an endorsement stating that, as to the interest of Bank, such policy or policies "shall not be impaired, invalidated or affected by any statement, act or neglect of any insured, loss payee or other Person or by any failure to make any report to the insurer or by the institution of any foreclosure or other proceeding to execute upon any lien", and (iii) contain a provision stating that such policy or policies "shall not be cancelled or modified except after thirty (30) days prior written notice delivered to Bank (attn: Commercial Loan Department)" at Bank's address first listed above or as subsequently directed in writing by Bank; and

(G) all policies of insurance shall be in a form reasonably acceptable to Bank and shall be issued by insurers duly licensed and authorized to conduct that type of insurance business in New Jersey. Bank shall have the right, at any time, to reject insurance provided by an insurance company that does not at all times have a policy-holders' rating of "A", or better, and financial rating of "AAA", or better, in the then current edition of Best's Insurance Guide; and

(H) all policies of insurance or satisfactory endorsements thereof, together with a paid receipt, shall be deposited with Bank prior to the Date of Closing and, at least thirty (30) days prior to the expiration of any such policies, Borrower shall furnish paid receipts and other evidence, satisfactory to Bank, that all such policies have been renewed or replaced; and

(I) all insurance proceeds and proceeds

relating to any of the insurance described in Sections 8.1(A) to 8.2(E) above, and any condemnation proceeds or other governmental awards relating to any Collateral, may be adjusted only after obtaining the prior written consent of Bank, shall be paid directly to Bank and, at Bank's option, may be applied to reduce all or part of any Obligation or to replace or repair any or all Collateral or other property of any Obligor.

8.3 Financial Information. Deliver financial information and documents as follows:

(A) within forty five (45) days after the end of each of the first three (3) quarterly periods of each fiscal year, a consolidating financial statement of Borrower and each commercial Guarantor and their respective subsidiaries, if any, certified to as correct by the chief executive officer of the Borrower as of the close of each such period together with related consolidating statements of operations and changes in financial position for such period, setting forth in each case in comparative form the corresponding figures for the corresponding period of the preceding fiscal year; and

(B) within ninety (90) days after the close of each fiscal year, a consolidating balance sheet and financial statement of Borrower and each commercial Guarantor and their respective subsidiaries, if any, as of the close of each such fiscal year together with the related consolidating statements of operations, retained earnings and changes in financial position for such fiscal year, prepared on a certified basis without qualification by independent certified public accountants including their certificate and accompanying management letter and other comments; and

(C) simultaneously transmit to the Bank all quarterly and annual reports (e.g. 10Q and 10K) required to be filed with the Securities and Exchange Commission; and

(D) simultaneously with the submission of each financial report as stated above, a certificate of the chief executive officer of each commercial obligor that the signer (i) believes that the financial report is true and complete, (ii) has no knowledge of the existence of any condition or event that constitutes a default under any Loan Document or other Obligation, and (iii) if any default existed or exists, specifying the nature and period of existence and what, if any, remedial action is being taken; and

(E) Simultaneously with the submission of each tax report of any nature including without limitation, withholding and unemployment taxes, a certified true copy of said report; and

(F) such other information including, without limitation, tax filings and reports respecting the business and properties or the condition or operations, financial or otherwise, of any Obligor or any Affiliate as Bank may, from time to time, reasonably request.

8.4 Notices to Bank. Notify Bank immediately in writing of any event if in the reasonable opinion of Borrower such event would have a material adverse effect on the business of Borrower or on the use of the collateral and: (A) of any claim, lien or investigation involving possible or threatened claims or liability in excess of Fifty Thousand Dollars ($50,000) relating to any property owned or leased by any Obligor including any Collateral; (B) any default, or threatened default, under any real property lease to which Borrower is a party, or under any agreement to which any Obligor is a party, involving actual or threatened claims or liability in excess of Fifty Thousand Dollars ($50,000); (C) if any Obligor becomes involved in any actual threatened litigation involving actual or threatened claims or liability in excess of Fifty Thousand Dollars ($50,000); (D) the occurrence of any theft, fire or other casualty, or any governmental taking, involving any Collateral or commercial property of any Obligor having a value in excess of Fifty Thousand Dollars ($50,000); (E) on receipt of any information, notice or claim, or upon learning of any investigation, as to any alleged use, storage, treatment or handling, discharge, spill, emission or disposal of, any Hazardous Substance by, or on any property owned or leased by, any Obligor which is not in compliance with paragraphs 7.9 and 9.3; and (F) upon learning of any circumstances or transactions that would require compliance with ECRA by any Obligor or in connection with any property of any Obligor.

8.5 Further Assurance. Execute appropriate Uniform Commercial Code financing statements listing Borrower or any other Obligor as debtor and Bank as secured party, furnish further assurances of title and security and estoppel certificates when requested by Bank and otherwise do anything that Bank in its discretion determines to be reasonably necessary or desirable to establish, perfect, assure and maintain Bank's interest in any Collateral, the reasonable cost of so doing to be paid by Borrower. Each Obligor hereby authorizes and appoints Bank as its attorney-in-fact to execute and file on behalf of any Obligor Uniform Commercial Code financing statements and assignments thereof, and to

execute and file or record any instrument, financing statement, assignment, document, agreement, mortgage or pledge that Bank may determine to be reasonably necessary to establish, perfect or maintain its security interests, assignments or liens pursuant to any Loan Document. Each Obligor shall also, within five (5) days of request, deliver to Bank a notarized statement of the indebtedness owing under each Obligation.

8.6 Complete Records. Maintain accurate, current and complete records of all financial affairs and transactions and of all Collateral satisfactory to Bank.

8.7 Location of Collateral and Offices. Maintain at the principal place of business of Borrower set forth in the caption of this Loan Agreement all records of Accounts and other Collateral.

8.8 Possession of Collateral. Retain exclusive possession and control of all Collateral.

8.9 Inspection of Collateral and Records. Arrange, immediately upon demand, for Bank's agents, employees or representatives to inspect any Collateral and any books and records and commercial premises of any Obligor.

8.10 Bank Accounts. (a) Keep and maintain all existing and future checking, cash collateral, savings, payroll, tax reserve and other deposit accounts with Bank, except for those local banking relationships of which Bank shall be notified in writing; and (b) the Borrower shall maintain at all times a Direct Depository Account with the Bank which account shall maintain a cleared balance of no less than $400,000.

8.11 Tangible Net Worth. As to Borrower, at all times maintain a Tangible Net Worth of not less than the following amounts:

$4,750,000.00

8.12 Working Capital. As to Borrower, at all times maintain Working Capital of not less than the following amounts:

$1,400,000.00

8.13 Quick Ratio. As to Borrower, at all times maintain a ratio of current assets to current liabilities of at least 1.25 to 1.

8.14 Debt/Net Worth. As to Borrower, at all times

maintain a ratio of Debt to Tangible Net Worth of no greater than 1.2 to 1. For purposes of this Section 8.14, subordinated debt shall be excluded from "debt" and shall be included in "Tangible Net Worth".

8.15 Taxes and Laws. Pay all taxes, assessments, government charges and levies when due and comply with all federal, state and local laws and regulations that are applicable to any Obligor or the business of any Obligor and provide proof of such payment and compliance as Bank may request.

8.16 Bank's Expenses. Pay all reasonable fees, costs and expenses incurred by Bank and its counsel in connection with the preparation or later modification of any Loan Document (whether or not any loan is actually consummated or modification is made) and the making, closing and monitoring of the loans contemplated thereby, including appraisal fees, lien and title searches, copying costs, delivery and postage charges and all filing and recording costs.

8.17 Indemnification. Each Obligor assumes all liability for, and agrees to indemnify, protect and save harmless Bank, its agents and employees from and against all liability (including liability in tort, whether absolute or otherwise), obligations, losses, penalties, claims, suits, costs and disbursements, including reasonable legal fees and disbursements, in any way relating to, or arising out of, any relationship with any Obligor, or any Obligation or Collateral, except where such liability etc has been caused by the Bank's gross negligence or wilful misconduct. This provision shall survive the termination or expiration of this Loan Agreement.

8.18 Closing Requirements. Upon demand comply with all closing requirements of Bank and its counsel, whether or not requested at the closing including the delivery of the Opinion Letter, in form and substance reasonably satisfactory to Bank and its counsel.

8.19 Tri-S. Within 90 days of the execution of this Agreement, Borrower shall cause its wholly-owned subsidiary, Tri-S Incorporated ("Tri-S") to become a party to this Agreement as a Guarantor. Borrower shall cause Tri-S to execute such agreements, certificates or other documents and to furnish such information as may be necessary as Bank may reasonably determine.

SECTION IX - NEGATIVE COVENANTS

Each Obligor covenants with Bank not to do, or

permit to be done, any of the following without the express prior written consent of Bank, which consent may be granted or withheld by Bank in its reasonable discretion:

9.1 Impairment of Collateral. Take or permit any action that may impair the value or security of any Collateral including to sell, assign, mortgage, convey, remove, pledge, grant a security interest in, or release its interest in, or suffer any lien against, any Collateral, except as may be expressly and specifically permitted in this Section IX and except for any Permitted Encumbrances.

9.2 Leases. Materially modify, exercise any purchase or renewal option under, or commit or suffer a default under, any real property lease or equipment lease.

9.3 Hazardous Substances. Generate, store, treat, discharge, refine, handle, release or dispose of any Hazardous Substances except (A) in accordance with all applicable laws and regulations, or (B) standard maintenance uses of small quantities of safe common cleaning agents.

9.4 Other Liabilities. As to Borrower, incur liabilities, whether direct or indirect, contingent or non-contingent, in any fiscal year aggregating in excess of $10,000 except (A) indebtedness to Bank; (B) indebtedness for the purchase of Inventory, supplies and services in the ordinary course of business according to the custom of the trade; (C) pursuant to existing real property leases and equipment leases and other agreements that have been previously delivered to, and specifically approved in writing by the Bank; and (D) purchase money financing for new purchases of equipment in excess of $100,000 so long as (i) those purchases are consistent with any limitations in this Loan Agreement, (ii) the amount financed is no greater than the unpaid balance of the purchase price of that equipment and (iii) Borrower provides to Bank, in writing, the terms of financing offered by the purchase money lender and affords Bank at least 10 days to determine whether to provide that financing under substantially the same terms, which terms, if offered by Bank, shall be binding on Borrower.

9.5 Ownership And Organizational Changes. Permit or effect any of the following:

(A) any shares of the control stock of any Guarantor to be sold, transferred, conveyed, assigned, pledged, hypothecated, or otherwise encumbered by or alienated from its present owner, other than to another Obligor; or

(B) any Person, other than the Persons listed

on Exhibit 6 to the Principal's Certificate, to become the owner of greater than 20% of the outstanding shares of any class of the Borrower's capital stock, such percentage to be determined on the basis of shares actually outstanding and actually held;

(C) any Person listed on Exhibit 6 to the Principal's Certificate, other than Environmental Venture Fund, L.P., to become the owner of greater than 25% of any class of the Borrower's capital stock, such percentage to be determined on the basis of shares actually outstanding and actually held;

(D) any corporate Obligor to declare any cash or stock dividends of any kind or redeem its stock, except for those dividends required under Borrower's existing preferred stock issue; or

(E) any material change in the capitalization or capital structure of any corporate Obligor, including the issuance of any new class of stock, the modification, reduction or retirement (except for the mandatory retirement of existing classes of preferred stock) of any existing class or type of stock or the changing or modifying of the voting power of any stock; or

(F) any material change in the incumbent senior management of Borrower or any corporate Obligor. For the purposes of this section, a "material change" in the senior management of Borrower shall be deemed to mean any change which results in the reassignment or termination of any two of the present senior officers (i.e. Jon Colin, Joseph Jacobsen or Kathleen LeFevre); or

(G) any corporate Obligor or its subsidiary to enter into any merger or consolidation or sell, lease or otherwise dispose of all, or a substantial portion, of its assets; or

(H) any Obligor to acquire all, or a substantial portion of, the assets of any commercial Person; or

9.6 New Line of Business. Permit Borrower to engage in any new line of business or business venture or change in any substantial respect its present method of business operations.

9.7 Other names. Use or adopt any name other than those set forth in the caption of this Loan Agreement unless, in advance of using any other name, Bank has been provided

with appropriate fictitious or trade name certificates, UCC-1 financing statements and current judgment, tax and UCC-11 search reports for any name, to the reasonable satisfaction of Bank.

SECTION X - EVENTS OF DEFAULT

Any of the following events or conditions shall, at the option of Bank, constitute an "Event of Default" under this Loan Agreement and any other Loan Documents or Obligations:

10.1 Payments. Any failure to pay all principal, interest or other monies when due under the Revolving Loan or any other Obligation, whether due upon a stated maturity or upon demand; or

10.2 Other Obligations. Any failure to perform or observe any term or condition under any Loan Document or Obligation in a timely fashion, provided, however, any Obligor may effect a complete cure of any default of any non-monetary covenant in this Loan Agreement, other than any Event of Default listed in the other subsections of this Section X, within seven (7) days of the occurrence of the Event of Default so long as (A) in the reasonable judgment of Bank the default is curable in its entirety during that seven (7) day cure period and (B) this right to cure is not exercised more than one (1) time in any consecutive six (6) month period; or

10.3 Representations. Any representation, statement, information or warranty that is at any time made of delivered to Bank by or on behalf of any Obligor shall be incorrect, incomplete or misleading when made; or

10.4 Consents. Any Obligor shall do,or permit to be done, any act for which Bank's written consent is required under any Loan Document, without first obtaining such written consent; or

10.5 Financial Information and Inspections. Any Obligor shall fail, promptly after demand, to furnish financial information or to permit inspection of any books, records or Collateral as required under any Loan Document; or

10.6 Insurance. Any failure to maintain, or provide evidence of, any insurance coverage required under any Loan Document; or

10.7 Organizational Status. Any corporate Obligor shall dissolve or fail to remain in good standing in its state of incorporation or duly qualified in each state where its properties or business make qualification necessary, or any

partnership Obligor shall dissolve; or

10.8 Warrants and Tax Liens. Any warrant of attachment or for distraint, or notice of tax lien shall be issued relating to, or encumbering, any Collateral or any assets of any Obligor that is not, within ten (10) days of entry, discharged, or stayed and bonded, to the satisfaction of Bank; or

10.9 Judgments. Any judgment shall be entered against any Obligor in excess of Ten Thousand dollars ($10,000), that is not, within fifteen (15) days of entry, discharged, or stayed and bonded, to the satisfaction of Bank or fully covered by insurance and the insurance company has, in writing, unconditionally accepted liability for that judgment; or

10.10 Insolvency. Any filing of a petition by or against any Obligor under any bankruptcy or insolvency law or an assignment by any Obligor of any property or assets for the benefit of creditors, or the failure of any Obligor to pay its debts in the ordinary course as those debts become due, or the calling of a meeting of creditors of any obligor to obtain any general financial accommodation; or

10.11 Seizure of Property. Any seizure by governmental authorities of, or the imposition of legal restraints against, any Collateral or other property of any Obligor that has an aggregate value in excess of One Thousand Dollars ($1,000), which is not, fully bonded to the reasonable satisfaction of Bank; or

10.12 Overdrafts. Any Obligor shall overdraw any checking or other account two (2) or more times during any calendar month or fails to cure any overdraft condition within twenty-four (24) hours of written or oral demand; or

10.13 Guaranty. Any Guarantor delivers to Bank a notice of termination with respect to any liabilities under the Guaranty; or

10.14 Enforceability. Any action or proceeding is instituted to obtain a ruling or judgment that any term or condition of any Loan Document, or any lien or interest in any Collateral that any Loan Document purports to give to Bank, is unenforceable in any respect; or

10.15 Termination of Plan. Any Termination Event occurs under any Plan that may involve a liability to any Obligor of One Thousand Dollars ($1,000) or more; or

10.16 Lien Defaults or Foreclosures. Any default

or modification (without Bank's prior written consent) shall have occurred in any mortgage, assignment, encumbrance or agreement constituting a Permitted Encumbrance and any applicable cure period as to such default shall have expired, or proceedings shall have been instituted or actions taken for the foreclosure or enforcement of any mortgage, judgment, assignment or other lien or encumbrance affecting any Collateral; or

10.18 Misrepresentations. Any representation, warranty, statement, certificate, schedule or report made or furnished to UJB by the Borrower or its subsidiaries is false or misleading in any material respect as of the time made or furnished; or the Borrower or any Subsidiary otherwise makes any written misstatement of a material fact or fails or neglects to furnish UJB in a timely manner, a written statement as to any material facts or information that would be material to UJB in evaluating the Loan.

10.19 Change in Law. There is any material adverse change in any governmental laws, statutes, rules, regulations and judicial decisions relating to the collateral including without limitation, laws, statutes, rules, regulations, and judicial decisions relating to zoning, building, occupancy or environmental matters.

10.20 Default in Indebtedness. The Borrower or any Subsidiary fails to make any payments when due on indebtedness for money borrowed or an Event of Default exists under any of its other obligations.

10.21 Adverse Financial Change. Any adverse change in the creditworthiness or financial condition of any Obligor that, in the reasonable opinion of Bank, materially increases Bank's risk.

SECTION XI - REMEDIES

Whenever an Event of Default occurs, or at any time after Bank has, in its absolute discretion, made demand under the Revolving Loan and that Revolving Loan has not been immediately paid in full, Bank may, in addition to any right or remedy it may have at law or in equity, at its option, do any of the following in any order and at any time:

11.1 Acceleration. Declare any Obligations, including the Revolving Loan, immediately due and payable; or

11.2 Collateral For Contingent Obligations. As to any Obligations that are contingent and cannot by their nature be accelerated, including Letters of Credit, Bank may require any Obligor to deposit cash or a cash equivalent reasonably

acceptable to Bank in an amount sufficient to cover principal, interest, fees and expenses that will have accrued by the maturity date of those Obligations, which cash or cash equivalent shall be held by Bank as Collateral under this Loan Agreement.

11.3 Terminate Financing. Immediately terminate the lending arrangements, reduce the lending ratios or Revolving Loan Maximum or establish reserves, under the Resolving Loan, provided, however, that this provision shall not limit the Bank's discretion to take any of these actions at any time whether or not an Event of Default has occurred as permitted under other provisions of this Loan Agreement; or

11.4 Repossession. Proceed with or without judicial process to take possession of all or any part of any Collateral and each Obligor agrees immediately upon receipt of notice from Bank to do everything requested by Bank to assemble, assign, transfer or deliver all Collateral to Bank and to provide Bank immediate access to Borrower's principal place of business and to every other place where any Collateral or any records of any Obligor may be stored or where any Obligor may conduct business; or

11.5 Collect Accounts. Direct any account debtor to make payment directly to Bank, to any agent or designee of Bank or to the name of Borrower at any address or lock-box designated by Bank; or

11.6 Sell Collateral. Sell, assign, lease, transfer and deliver all, or any part of any Collateral at a private sale or public auction for cash, upon credit or otherwise at such prices and upon such terms as Bank may deem advisable and any requirement of reasonable notice to any Obligor shall be met if notice is mailed, postage prepaid, to Borrower at the address set forth in the caption of this Loan Agreement at least five (5) days prior to the sale or other disposition and Bank may be the purchaser at any public sale of any Collateral free of any right of redemption, which right each Obligor hereby waives; or

11.7 Collateral Proceeds. Apply the proceeds of any sale, collection or other disposition of any Collateral first to all costs and expenses of sale or collection, including any attorneys' fees and disbursements and, then, to payment of any Obligation in whatever order Bank may, in its discretion, elect; or

11.8 Direct Recourse. Institute suit directly against any Obligor in any sequence to collect any Obligations without first foreclosing on or liquidating any Collateral or without first suing Borrower or any other Obligor; or

11.9 Deficiency. Hold any Obligor liable for any deficiency that may remain after the sale of any Collateral; or

11.10 Freeze or Set-Off. Immediately (and without notice) hold, apply, freeze or set-off, on account of any Obligation, funds on deposit with Bank in any account, fund or certificate maintained by any Obligor in any capacity, any monies that Bank may owe to any Obligor and any other monies or property, tangible or intangible, owned by any Obligor or in which any Obligor has an interest that may be in the possession or under the control of Bank; or

11.11 Other Creditor Remedies. Exercise any right or remedy available to a secured party under the Uniform Commercial Code or under any other law of any jurisdiction; or

11.12 Collection Expenses. Collect from any Obligor (A) all reasonable fees and disbursements of Bank's attorneys incurred in obtaining advice or representation relating to the collection or enforcement of any Obligation and (B) all expenses of, or in anticipation of, litigation including fees and expenses of witnesses, experts and stenographers and the cost to obtain or produce appraisals. All such collection fees and expenses shall be due and payable upon demand, shall incur interest at the highest rate in effect from time to time under any Obligation and shall be an Obligation secured by all Collateral; or

11.13 Other Expenses. At any time and from time to time, perform any duty or obligation of any Obligor under any Loan Document or Obligation and to take any other actions deemed by Bank to be reasonably necessary to protect Bank's interest in any Collateral or to avoid any risk of damage or loss to Bank including steps to comply with applicable environmental laws. All expenses of any nature incurred by Bank under this subsection shall be due and payable by each Obligor upon demand, shall incur interest at the highest rate in effect from time to time under any Obligation and shall be an Obligation secured by all Collateral. The exercise by Bank of its rights under this subsection shall not constitute a waiver of any Event of Default or of any right or remedy under any Loan Document; or

11.14 Increase in Interest. Increase the rate of interest under any Obligations to a fluctuating interest rate determined by Bank up to and including Five Percent (5%) above the Base Rate. Unless otherwise agreed by Bank, this increase in interest rate shall be retroactive to the date of the first occurrence of an Event of Default, shall be computed on the basis of a 360-day year and shall survive the entry of any

judgment relating to any Obligation; or

11.15 Other Remedies. Exercise any other rights or remedies it may have under any Loan Document or Obligation.

SECTION XII - ADDITIONAL RIGHTS OF BANK

12.1 Remedies Without Default Declaration. Upon the occurrence of any Event of Default, Bank may exercise any of the rights and remedies in Sections 11.5, 11.12, 11.13 and 11.14 whether or not Bank has formally declared any Obligations to be in default or has determined to accelerate any Obligations. In addition, Bank may exercise any of the rights and remedies in Section 11.13, whether or not any Event of Default has occurred, if deemed by Bank to be reasonably necessary to protect or preserve the Bank's interest in any Collateral or to avoid any risk of damage or loss to Bank.

12.2 Environmental Audits. Should Bank have reason to believe that there are any Hazardous Substances on any commercial property occupied by any Obligor being handled in a manner contrary to SEction 7.9 or 9.3, Bank may require that Borrower or any other Obligor retain a qualified and licensed environmental engineer to conduct a full environmental audit of that property, which engineer and audit, including testing and sampling procedures, shall be reasonably acceptable to Bank and which audit report shall be delivered to Bank within thirty (30) days of Bank's initial request and shall be prepared at the Obligor's sole expense.

12.3 Security For Cleanup. If any investigation, environmental report or governmental investigation or order indicates that there may exist any damage or risk to any commercial property occupied by any Obligor or any liability of any Obligor relating to any Hazardous Substances or other environmental conditions, Bank may require any Obligor to furnish immediately an indemnity bond in an amount determined by Bank, in its absolute reasonable discretion, to be sufficient to pay all actual and estimated cleanup costs and to protect against any liens that may arise with respect to such potential cleanup costs. Bank's demand that any Obligor post any bond or other security shall not be a waiver of any Event of Default or any other right or remedy available to Bank.

SECTION XIII - MISCELLANEOUS PROVISIONS

13.1 Waiver. Bank shall not be deemed to have waived any rights or remedies under any Loan Document or Obligation by:

(A) forebearing or failing to exercise, or

delaying in exercising, any rights and remedies; or

(B) forebearing or failing to insist upon, or any delay in insisting upon, the strict performance by any Obligor of any term or condition of any Loan Document or other Obligation; or

(C) granting any extension, modification or waiver of any term or condition of any Loan Document or other Obligation, except, and only to the extent, that the extension, modification, or waiver shall expressly provide; or

(D) any other act, omission, forbearance or delay by Bank, its officers, agents, servants or employees; or

(E) any waiver or any rights or remedies on any one occasion.

13.2 Collection Duties. Bank shall be under no duty or obligation to:

(A) preserve, protect or marshal any Collateral; or

(B) preserve or protect the rights of any Obligor against any person claiming an interest in any Collateral adverse to that of any Obligor; or

(C) realize upon any Collateral in any particular order or manner or seek repayment of any Obligation from any particular source; or

(D) permit any substitution or exchange of all or any part of any Collateral or release any part of any Collateral from any lien, even if that substitution or release would leave Bank adequately secured.

13.3 Written Modifications. No extension, modification, amendment or waiver of any term or condition of any Loan Document shall be valid or binding upon Bank, unless it is in writing and signed by a duly authorized officer of Bank.

13.4 Demands and Notices. All demands and notices under any Loan Document shall be in writing and shall be served either personally or by certified mail, return receipt requested, on the party to whom that notice or demand is to be given or made at the address first set forth in the caption to this Loan Agreement. All notices and demands directed to Bank shall be sent to the Commercial Loan Department (Attn:

_____), with a copy of any such notice or demand to be sent to Bank's counsel Ruskin, Kors, Meltzer, Rubin & Starr, P.C., 921 Bergen Avenue, Jersey City, New Jersey 07306 (ATTN: Ira M. Starr, Esq.) Any party desiring to change the address to which notices or demands shall be sent shall notify the other parties of the new address by certified mail, return receipt requested. Any notice or demand properly sent by Bank via certified mail, return receipt requested, shall be deemed to have been served on the third business day after mailing, regardless of when it is actually received.

13.5 Governing Law. All terms of each Loan Document and the duties, rights and remedies of the parties thereunder shall be governed by, and construed according to, the laws of the State of New Jersey.

13.6 Jurisdiction. In any litigation relating to any Loan Document, each Obligor hereby consents to the personal jurisdiction of the state and federal courts of the State of New Jersey.

13.7 Partial Invalidity. If any term or provision of any Loan Document is held to be invalid by any court of competent jurisdiction, such invalidity shall not affect the remaining terms and provisions, which shall continue in full force and effect.

13.8 Successors and Assigns. Each Loan Document shall be binding upon, and inure to the benefit of, the parties thereto and their respective successors or heirs, and assigns. However, no Obligor shall be permitted to assign or transfer any rights or duties under any Loan Document without the express prior consent of Bank, which consent Bank may grant or withhold in its sole discretion.

13.9 Joint and Several Liability. Each Obligor shall be jointly and severally liable for all Obligations.

13.10 Additional Rights and Remedies. All rights and remedies given to Bank under any Loan Document shall be in addition to, and not in limitation of, any right or remedy that Bank may have, whether under any other provisions of any Loan Document or other agreement, or at law or in equity.

13.11 Incorporation By Reference . The terms and conditions of any Loan Document and the Bank's commitment letter of January 21, 1992 are incorporated herein by reference.

SECTION XIV - JURY TRIAL

IN ANY LITIGATION RELATING TO ANY LOAN DOCUMENT, BANK AND EACH OBLIGOR HEREBY WAIVE THE RIGHT TO TRIAL BY JURY. BANK AND EACH OBLIGOR ACKNOWLEDGE THAT THEY HAVE CONSULTED WITH THEIR RESPECTIVE COUNSEL SPECIFICALLY ON THE RAMIFICATIONS OF WAIVING THE RIGHT TO REQUEST TRIAL BY JURY PRIOR TO AGREEING TO THIS PROVISION.

Bank and each Obligor have caused this Loan and Security Agreement to be executed as of the day and year first above written.

OBLIGORS:

BORROWER:

ATTEST:

ENVIRONMENTAL SERVICES OF AMERICA, INC.
a New Jersey corporation

By:
Name:
Title: President

ATTEST:

GUARANTORS:

THE ALMEGA CORPORATION

By:

ENSI, INC.

By:

ENSI OF DELAWARE, INC.

By:

ATTEST:

ENSR OF PENNSYLVANIA INC.

By:

INTERNATIONAL EXPLORATIONS INC.

By:

NATIONAL AIR NETWORK, INC.

By:

NORTHEAST ENVIRONMENTAL SERVICES INC.

By:

BANK:

ATTEST:

UNITED JERSEY BANK

By:
Name: Martin J. Carroll
Title: Vice Pres.

LOAN AGREEMENT

EXHIBIT E

ENCUMBRANCES

Northeast Environmental Services, Inc. currently has an obligation in the outstanding principal amount of approximately $184,000 to Richard Greene, the former owner of Haz-O-Waste Corporation, the assets of which were sold to Northeast Environmental Services, Inc. This loan is secured by an interest in the accounts receivable of Northeast Environmental Services, Inc. However, the UCC and lien search conducted by the Borrower has not shown a filing relating to this security interest.